



City of Sunnyvale

Agenda Item-No Attachments (PDF)

File #: 17-0632, Version: 1

REPORT TO COUNCIL

SUBJECT

Amend the 2017 Priority Advocacy Issues

BACKGROUND

A goal of the City's Intergovernmental Relations Program is to enable timely and effective advocacy of City interests on pending legislation and issues that significantly impact City business. The City can initiate advocacy on the basis of any existing City Policy, including the City Charter, Municipal Code, General Plan Elements, and the Council Policy Manual, which is where many of the City's other legislative goals are addressed. Regardless, every year, the Council adopts the City's advocacy platform which includes the priority advocacy issues for the coming year as well as Legislative Advocacy Positions (LAPs). This report provides Council with the opportunity to reinstate a LAP which was inadvertently not carried forward from the 2016 LAPs to the 2017 LAPs.

EXISTING POLICY

Council Policy 7.4.14, Legislative Advocacy Positions

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" with the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378 (a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.

DISCUSSION

On January 6, 2015, as part of the adoption of the 2015 Priority Issues and Legislative Advocacy Positions, Council directed staff to create a legislative position for the divestment of any direct and indirect investments in fossil fuels. Further, staff was directed to return to the Council in Fall 2015 to formalize Council's position of not directly investing in fossil fuels. While Council amended the investment and cash management policy, which prohibits direct investments that support the production or drilling of fossil fuels, in October 2016 (16-0693), staff inadvertently dropped the adoption of a LAP. Staff is recommending the following LAP be added, amending the 2017 Priority Advocacy Issues:

Support legislation to limit or eliminate direct or indirect investment of public funds to support the production or drilling of fossil fuels

By adopting this LAP, staff will be able to advocate with CalPERS for the divestment of fossil fuel related businesses.

If Council adopts the recommended LAP, the next step for staff is the evaluation of the City's own

investments and cash management policy consistent with the legislative advocacy position. It is important to note that limiting indirect investment is significantly more complex. The ability to track if a particular investment instrument is held with a company or organization that subsequently makes investments in fossil fuels requires expertise and capacity that is not available with current resources. Staff's current understanding is that investment specialists approach this issue by investing in broader social and environmental funds. Any changes that the City Council would want to make to be consistent with the legislative advocacy position would require time, additional resources, and a commitment from Council to dedicate study sessions on this matter.

As part of broader efforts to improve returns, staff will be issuing a Request for Proposals to contract for investment services for the City's cash management portfolio. As part of that procurement, staff will explore the market for achieving broader social and environmental goals with its public funds investments. Therefore, in fall 2017, staff plans to return for Council consideration with changes to the investment and cash management policy and a potential contract award for investment services.

The City also invests in a separate Other Post-Employment Benefits (OPEB) Trust. The trust fund, managed under an outside investment advisor, has a separate investment policy statement. Staff anticipates bringing forward amendments to that policy statement for Council consideration in September 2017.

With this RTC, staff recommends taking the first step by amending the 2017 Priority Advocacy Issues (see Attachment 1).

FISCAL IMPACT

The fiscal impact of adopting this LAP is difficult to quantify. How investments perform in the market varies depending on a wide variety of factors. Negative or positive impacts are possible to the City's investment and cash portfolio and OPEB Trust Fund. We can't project what the outcome of changed investments would yield. For example, if CalPERS chooses to fully divest from fossil fuels, direct or indirect, their returns could suffer having an impact on pension costs which likely would be passed onto local governments. Positive results, would reflect accordingly in the investment portfolio.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

STAFF RECOMMENDATION

Approve the Amended 2017 Priority Advocacy Issues.

Prepared and Reviewed by: Walter C. Rossmann, Assistant City Manager

Reviewed by: Timothy J. Kirby, Director, Department of Finance

Approved by: Deanna J. Santana, City Manager

ATTACHMENT

1. Amended 2017 Priority Advocacy Issues